



Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

9M2015 GMPS Results

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CEO & General Manager

6th November 2015



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

Results Highlights



- **CET1 ratio fully loaded at 11.7%** (approx. +100bps vs. Jun-15 proforma*) and **CET1 transitional at 12%** (+67bps vs. Jun-15 proforma*)
- **Net profit** for 9M15 of **EUR 84.7mln**; -EUR 109mln in Q3 impacted by the unwinding of Alexandria (-EUR 88mln after tax)
- **Pre-provision profit** at **EUR 1.4bn (+28.6% YoY)** with a positive trend in the core banking business:
 - **NII +12.1% YoY** (+2.4% YoY net of the cost related to New Financial Instruments – NFI-price adjustment); +1.5% QoQ benefited from no further interests NFI
 - **Fees +5.1% YoY driven by WM fees**; -10.9% QoQ due to seasonality in distribution
 - **Operating cost -2.7% YoY** and -0.2% QoQ, reflecting a continued focus on operating efficiency
- **NPEs inflows decreasing in 9M (~ -28% YoY)** and NPEs **coverage** among the highest in Italy (48.6%). Q3 loan loss provisions slightly above Q2 cost of credit excluding one offs. **NPEs management actions well on track** with business plan
- **Positive commercial trend**: new M/L term loans at EUR 5.7bn in 9M15 (+115% vs. 9M14). Distribution of bancassurance products of EUR 4.7bn (+13% YoY)
- **Balance sheet repositioning**: decrease in financial assets (EUR 36bn, -8.7% vs. Dec-14), counterbalancing capacity at approx. EUR 24bn (+49.3% vs. Dec-14), Loan/Deposit ratio** at 91.7% (-310bps vs. Dec-14)
- **Balance Sheet further derisking by unwinding Alexandria**; main impacts: Loans: -EUR 4bn (Repos and Cash collateral), Direct Funding: -EUR 3.3bn (Repos), AFS Reserve: +EUR 0.35bn, Other liabilities: -EUR 1.4bn

*Basel 3 ratios, pro-forma including the payment of NFIs coupon through the issue of new shares

**Customer Loans/Deposits from customers. Deposits include securities issued

9M2015 and 3Q15



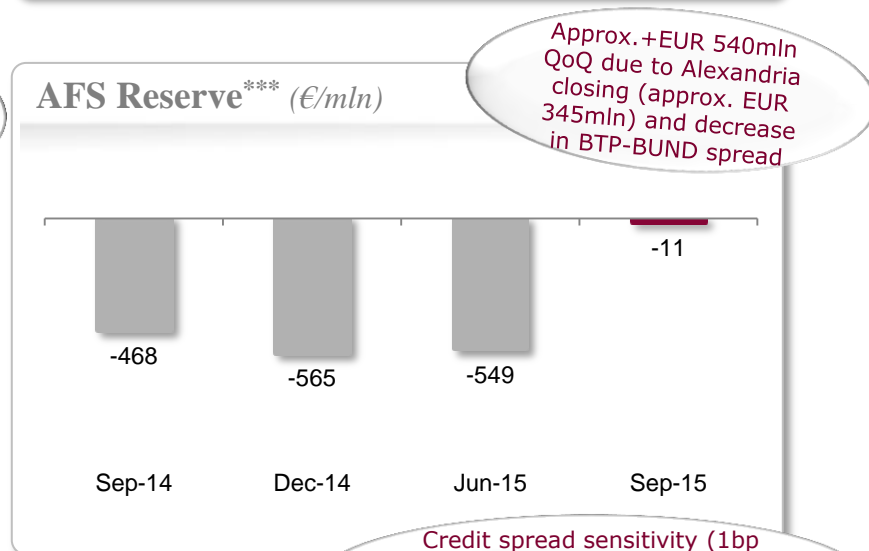
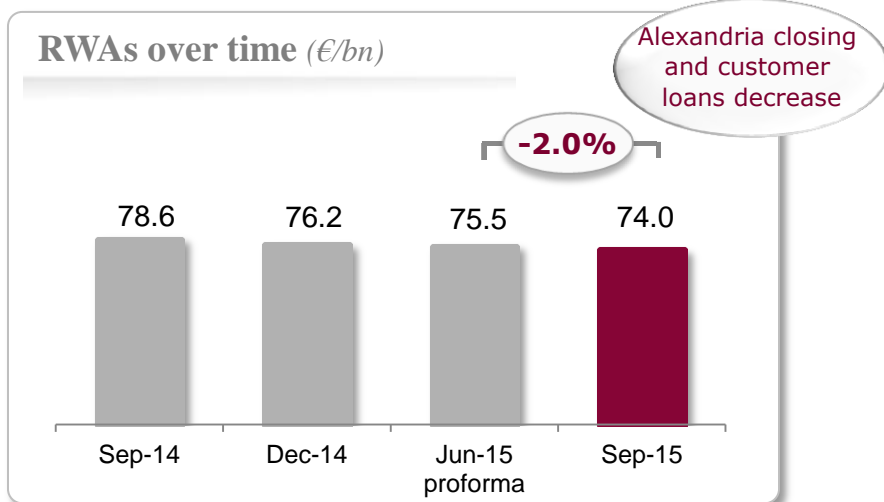
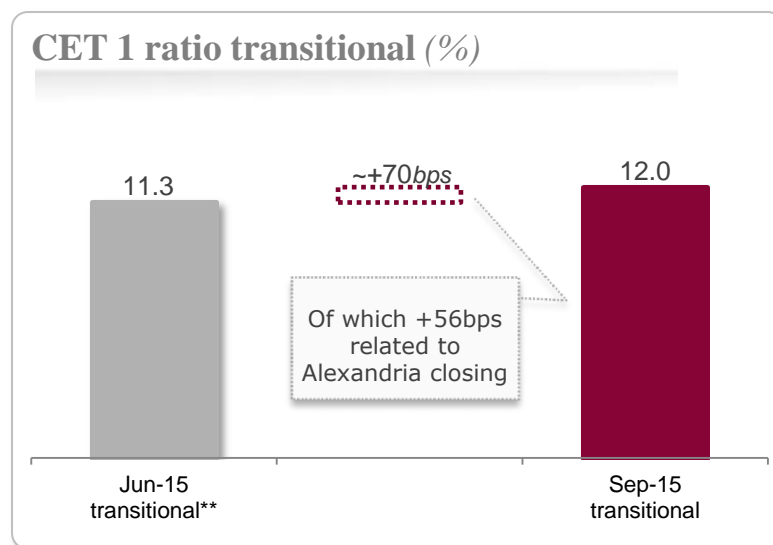
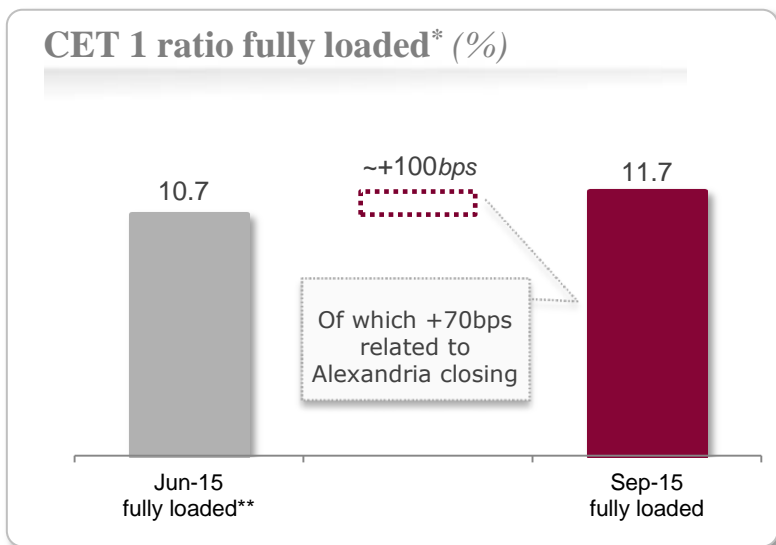
P&L (€/mln)	9M15	Change (YoY %)	3Q15	Change (QoQ %)
Net Interest Income	1,740	+12.1	569	+1.5
Net Fees	1,358	+5.1	431	-10.9
Total Revenues	3,384	+8.4	958	-17.4
Operating Costs	-1,967	-2.7%	-656	-0.2
Pre provisions profit	1,417	+28.6%	301	-40.0
Loan Loss provisions	-1,414	-42.6	-430	-16.7
Net income (loss)	85	n.m.	-109	n.m.

Balance sheet (€/mln)		Change (YoY %)	Change (QoQ %)
Lending	112,513	-10.9	-0.8*
Direct Funding	122,717	-3.1	-0.2*
Total Assets	170,202	-10.7	-4.2

Ratio (%)	
CET1 ratio transitional	12.0
Cost/income	58.1

*Net of Alexandria impact. Including Alexandria impact, Lending decreased by 4.2% QoQ and Direct Funding decreased by 2.8% QoQ

CET1 ratio 11.7% fully loaded (12% transitional)

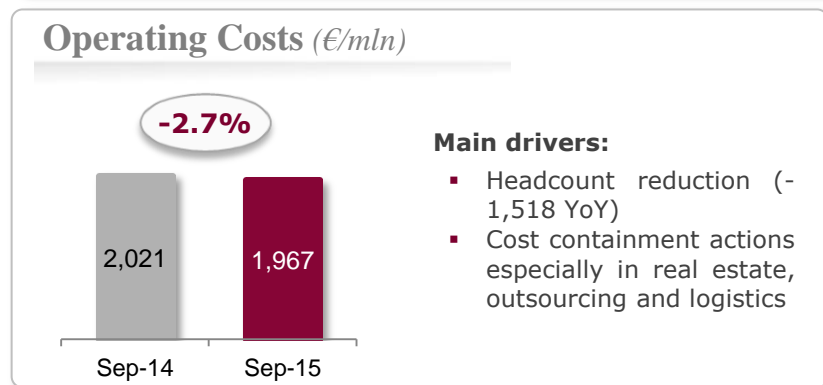
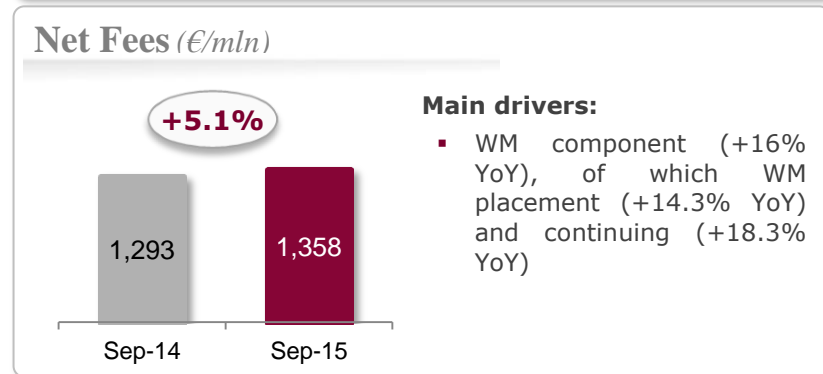
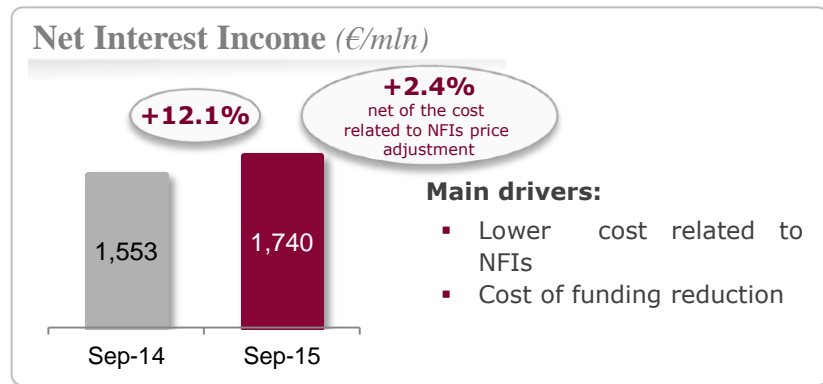
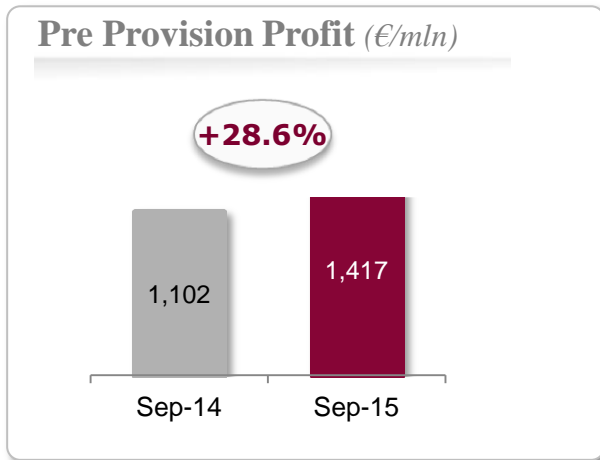


* The Basel 3 fully loaded ratio has been estimated including the filter on AFS net reserves on European Government bonds

**Basel 3 ratios, pro-forma including the payment of NFIs coupon through the issue of new shares

*** Accounting figures on Italian Government Bonds

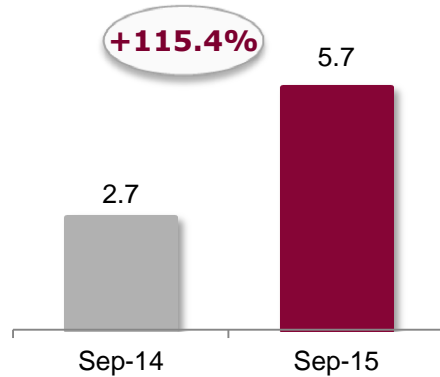
Pre provision profit at EUR 1.4bn (+28.6% YoY)



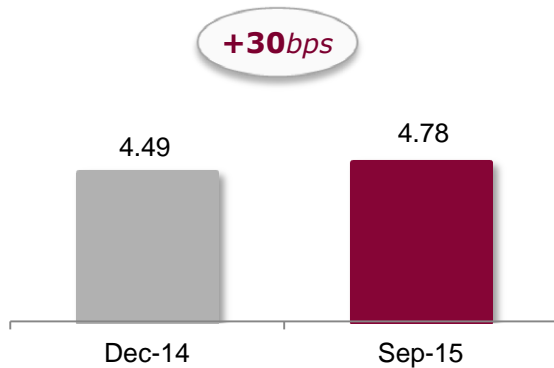
Positive commercial trend



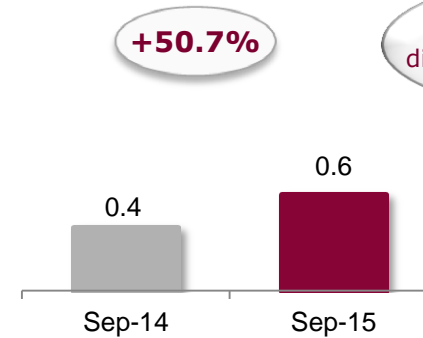
New M/L loans (€/bn)



Market share Direct funding* (%)

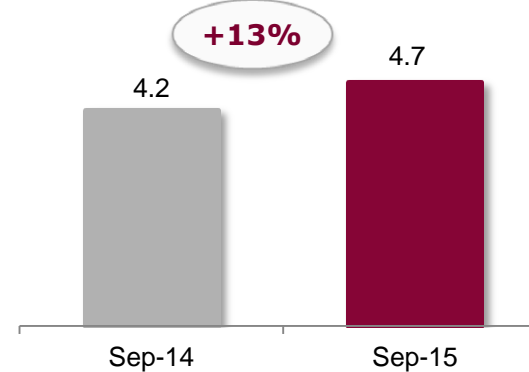


Distribution of Compass consumer credit (€/bn)



Run off of ex-Consum.it and distribution of Compass products

Bancassurance** (€/bn)



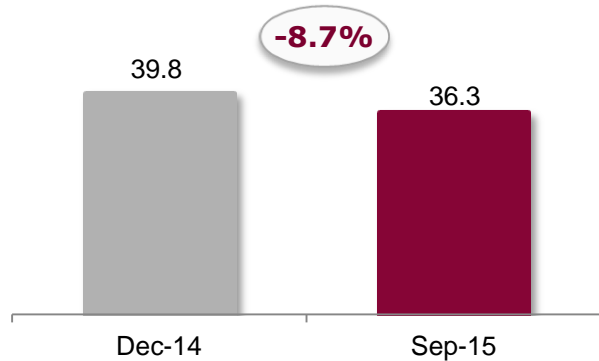
* July figures (latest available data). Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with customers resident in Italy, and bonds net of repurchases

** Placement of AXA-MPS Saving products (gross amount) in 9M15

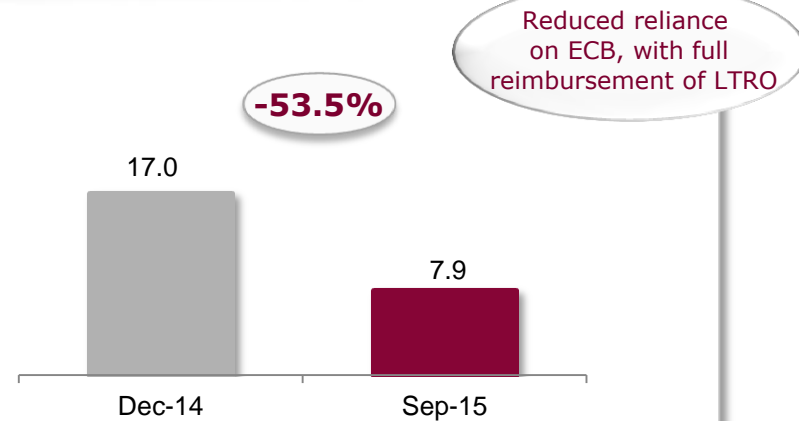
Balance sheet derisking in the first 9 months



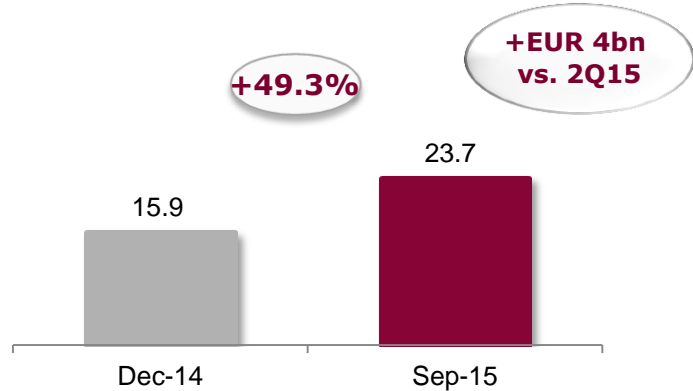
Financial Assets (€/bn)



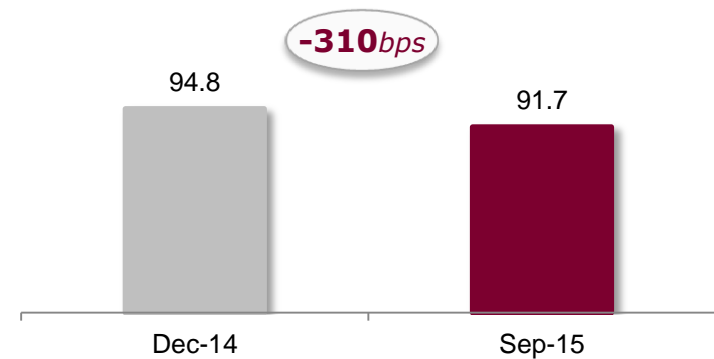
ECB exposure* (€/bn)



Unencumbered counterbalancing capacity (€/bn)



Loan/Deposit ratio** (%)



*Figures from operational data management system (ALM Department and Risk management)

**Customer Loans/Deposits from customers. Deposits include securities issued

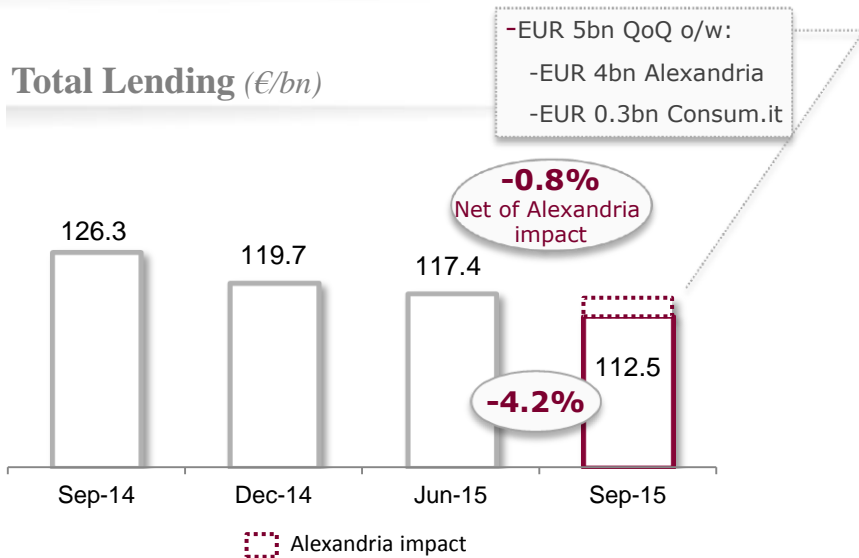


Key messages on Q3 results

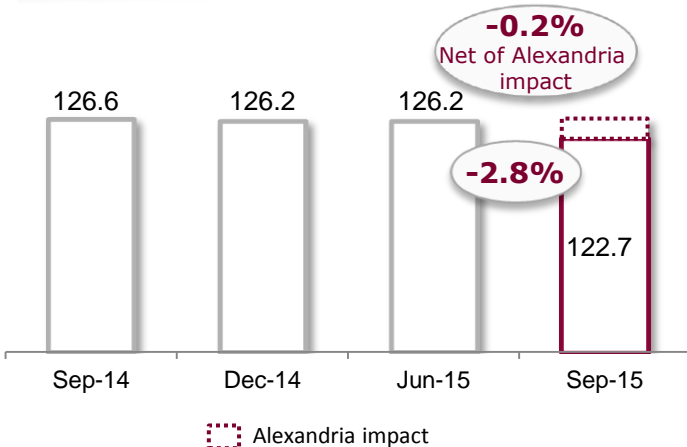
Lending and funding



Total Lending (€/bn)



Direct funding (€/bn)



Balance sheet derisked thanks to Alexandria unwinding:

- Loans: -EUR 4bn, due to closing of Repos (EUR 2bn) and other lending (EUR 2bn)
- Direct Funding: -EUR 3.3bn, due to closing of Repos

Commercial loans:

- New medium / long term lending at EUR 1.8bn in 3Q slightly impacted by seasonality. However offset by stock going to maturity

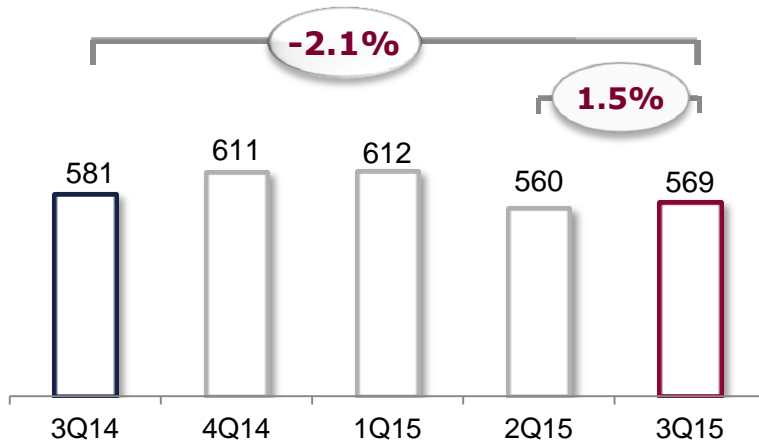
Direct Funding:

- Retail and Corporate funding increase (+EUR 1.2bn QoQ)
- Shift towards the cheapest form of funding (Time deposits +5.6% QoQ, Bonds -1.8% QoQ)
- In October, successfully launched a EUR 750mln Covered Bond

Net Interest Income



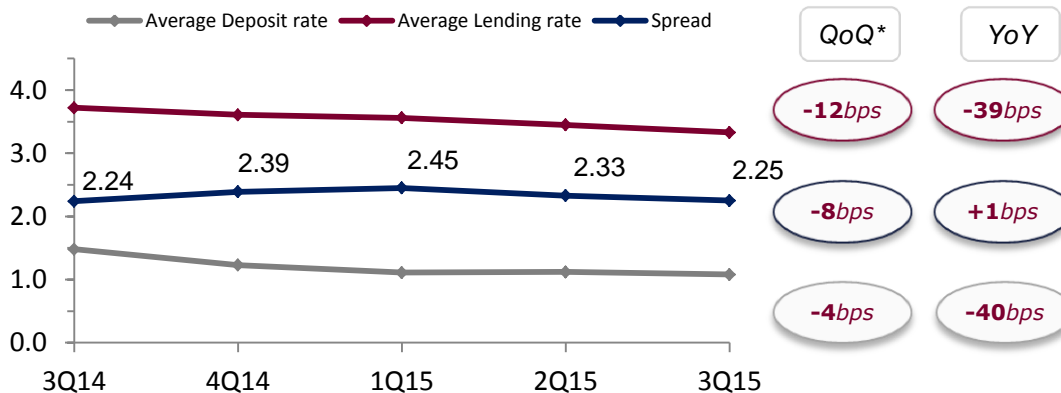
Net Interest Income (€/mln)



Net Interest Income (+1.5% QoQ):

- Positive impacts:** no further interest (EUR 25mln) on New Financial Instruments reimbursed in 2Q15 and ongoing cost of funding reduction
 - Negative impacts:** mortgage repricing due to Euribor adjustments, commercial volumes reduction, ex-Consum.it portfolio in run off (approx. -EUR 6mln in Q3 2015)
- Average spread QoQ: lower funding cost more than offset by lending rate pressure, especially from good clients

Spread trend (%)

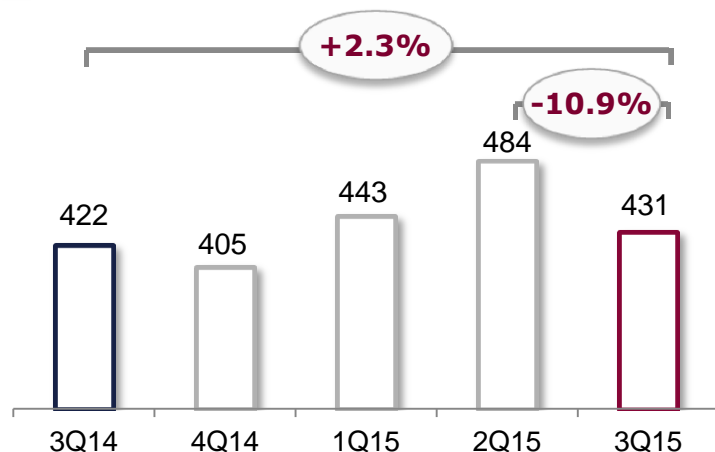


*Excluding Consum.it in run-off

Fees and Commissions Income



Fees QoQ (€/mln)



Fees Breakdown

€/mln	9M14	9M15	YoY	2Q15	3Q15	3Q15 vs 2Q15
Wealth Management fees, o/w	516	599	16.0%	217	184	-15.1%
<i>AuM Placement</i>	267	305	14.3%	114	88	-22.8%
<i>Continuing</i>	182	216	18.3%	77	72	-5.5%
<i>Bond Placement</i>	48	50	3.3%	18	15	-17.7%
<i>Protection</i>	19	29	50.6%	9	10	4.7%
Traditional Banking fees, o/w	939	927	-1.2%	321	302	-6.1%
<i>Credit facilities</i>	452	435	-3.8%	155	136	-12.3%
<i>Trade finance</i>	57	63	10.1%	23	19	-16.4%
<i>Payment services and client expense recovery</i>	429	430	0.2%	144	147	2.1%
Other	-162	-168	-3.5%	-54	-55	-1.1%
Total Net Fees	1,293	1,358	5.1%	484	431	-10.9%

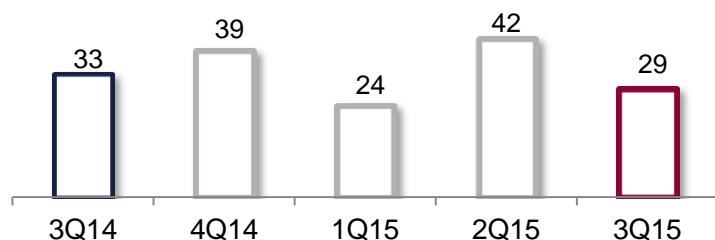


- ❑ **Net fees and commissions** impacted in 3Q by seasonality in the distribution of WM products.
- ❑ **New management actions** for commission growth include multibrand distribution strategy in WM; new targeted marketing actions to drive consumer and commercial loans
- ❑ **Asset management stock** (EUR 54.7bn) **substantially stable** vs. 2Q15, with **positive inflows (+EUR 1bn)** offset by the market effect
- ❑ **Asset under custody stock** at EUR 53.4bn (+0.1% QoQ), unchanged vs. June 2015

Dividends and Trading Income

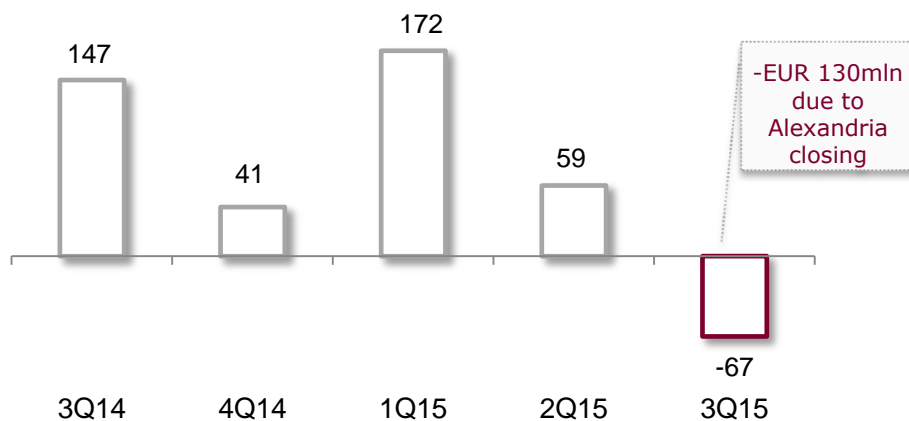


Dividends /Profit from investments (€/mln)



- **Dividends, similar income and gains (losses) on investments** down vs. 2Q15, which included some positive one-off items (i.e. Bank of Italy dividend of approx. EUR 9mln)

Trading/disposal/valuation of financial assets (€/mln)

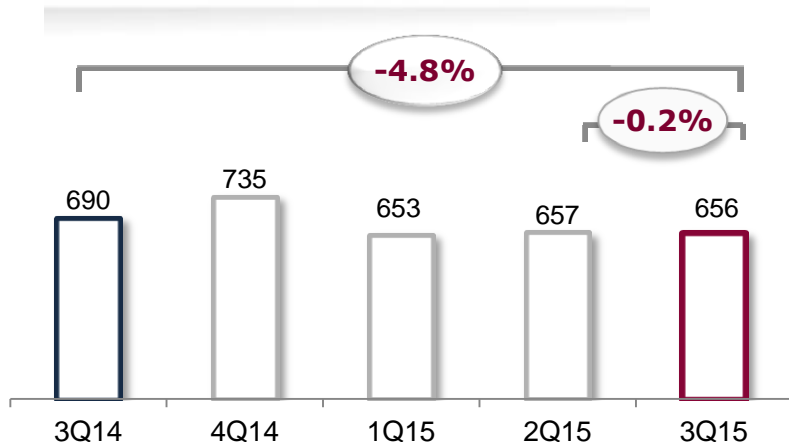


- **Trading/disposal/valuation of financial assets** in 3Q15 at -EUR 67mln, of which:
 - +EUR 44mln net profit from trading
 - -EUR 124mln, due to closing of Alexandria (-EUR 130mln), partially offset by gains from optimization of AFS portfolio
 - +EUR 13mln for the reduction of liabilities at fair value

Operating Costs

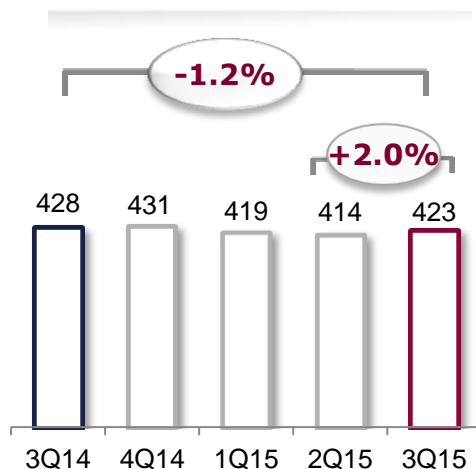


Operating Costs QoQ (€/mln)

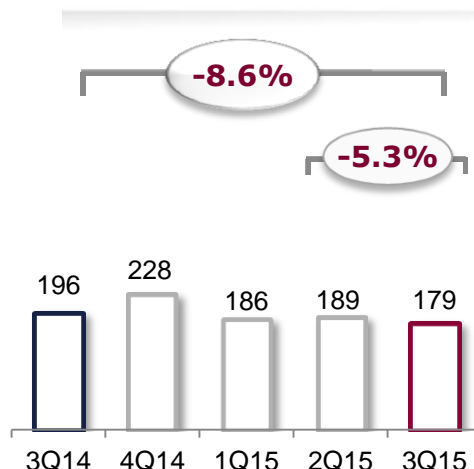


- Overall costs are well managed and down
- Personnel expenses up 2.0% QoQ due to the contribution to "Fondo di solidarietà" and pension fund ("TFR") adjustments
- Other Admin Expenses downward seasonal trend (-5.3% QoQ), with a potential increase in 4Q

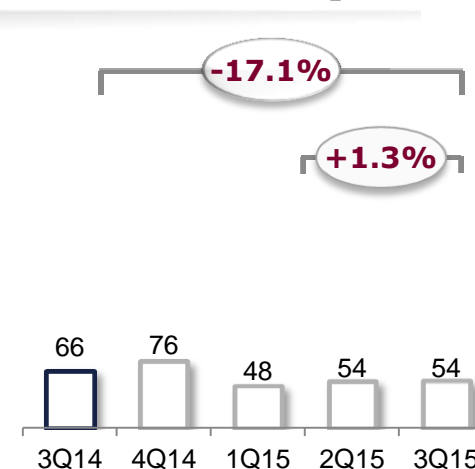
Personnel expenses (€/mln)



Admin expenses (€/mln)



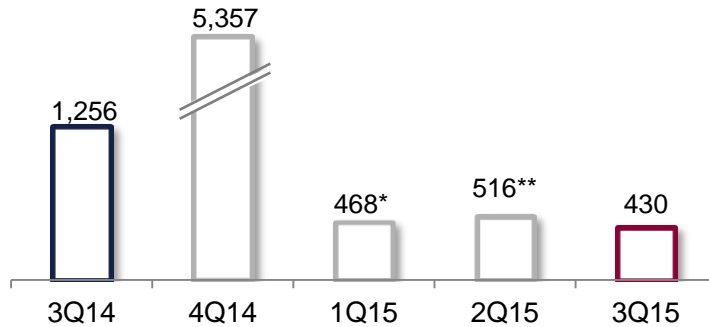
Amortization and Depreciation (€/mln)



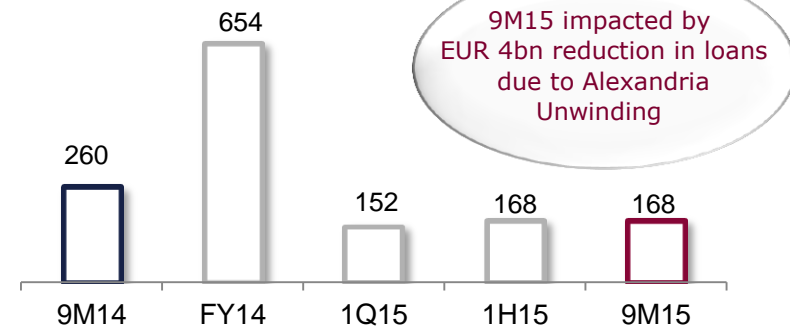
Provisions and asset quality



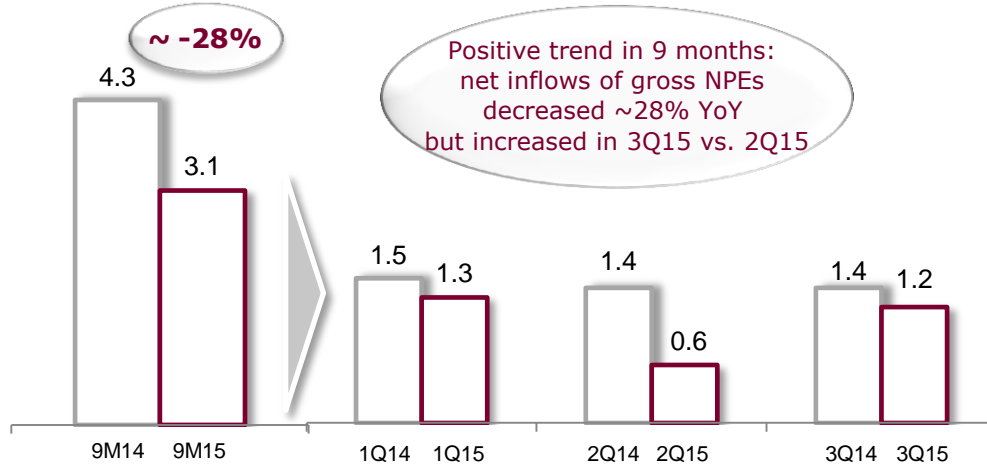
Net loan loss provisions (€/mln)



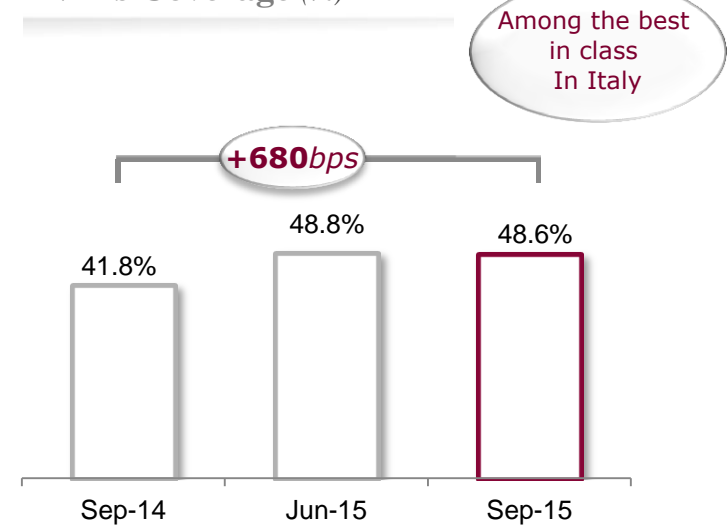
Cost of Risk*** (bps)



Net inflows of Gross NPEs**** (Delta stock €/bn)



NPEs Coverage (%)



*Of which EUR 41mln related to ECB review

**Of which EUR 120mln related to update of AIRB model

***Net loan loss provisions since the beginning of the period / End-of-period loans

**** 2014 figures net of AQR effects; Figures exclude effect of NPL disposal

NPEs initiatives well on track



Focus on higher value positions

- Outsourcing of the management of small-ticket positions
 - Outsourcing of 100,000 NPEs, approx. 80% of the total positions
 - Selected segments and substandard loans outsourced

Structured program of portfolios disposals

- Multiannual program to dispose of portfolios, of which ~EUR 5.5bn to be realized between 2015 and 2018

REOCO*

- To limit the reduction in value of mortgaged real estate pledged as guarantee, intensify the use of REOCOs to favour the competitive bidding and maximizing sale price

Outsourcing completed

- Rationalisation of best performing outsourcers ongoing

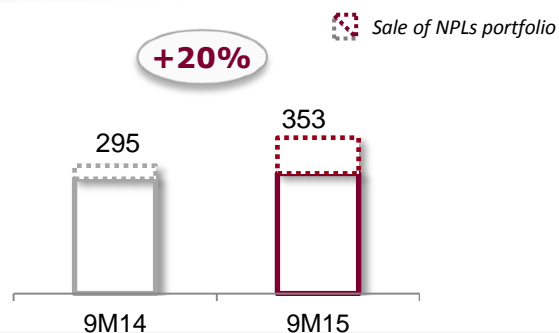
Successfully disposed EUR 1bn

- (EUR 1.3bn including accrued interests) of NPLs in June 2015 with negligible P&L impact
- **EUR 1.1bn** (EUR 1.7bn including accrued interests) expected by 4Q 2015

Up and running

Improvements in NPLs recovery inflows

NPLs Recovery Inflows** (€/mln)



*Real Estate Operative Company

**Figures from operational data management system (Planning Area and Risk Management)

Final remarks



- *Solid capital base, with CET1 fully loaded at 11.7%*
- *Closing of Alexandria transaction confirms that balance sheet restructuring has been completed*
- *Continued strong focus on Asset Quality, with NPEs initiatives ongoing, which will bring future benefits*
- *Commercial performance continues to be positive, with pre-provision profit at EUR 1.4bn*
- *9M15 profitable in spite of one-off effect related to Alexandria unwinding*



Thank you for your attention

Q&A



Annexes

9M2015 and 3Q15 P&L



€ mln	9M14	9M15	Change (YoY %)	2Q15	3Q15	Change (QoQ %)
Net Interest Income	1,552.5	1,740.2	12.1%	559.9	568.5	1.5%
Net Fees	1,292.5	1,358.3	5.1%	484.2	431.2	-10.9%
Other revenues from financial activities	277.6	285.7	2.9%	115.6	(42.2)	n.m.
Total Revenues	3,122.7	3,384.2	8.4%	1,159.6	957.5	-17.4%
Operating Costs	(2,020.7)	(1,967.0)	-2.7%	(657.4)	(656.3)	-0.2%
Personnel costs	(1,279.2)	(1,256.5)	-1.8%	(414.4)	(422.7)	+2.0%
Other admin expenses	(577,0)	(553.9)	-4.0%	(189.2)	(179.1)	-5.3%
Pre provisions profit	1,102.0	1,417.2	28.6%	502.2	301.2	-40.0%
Total provisions	(2,523.0)	(1,417.7)	-43.8%	(528.1)	(435.3)	-17.6%
Non operating items	(272.6)	65.8	n.m.	106.4	(11.2)	n.m.
Profit (Loss) before tax	(1,693.6)	65.3	n.m.	80.5	(145.3)	n.m.
Taxes	568.1	50.3	-91.1%	49.5	45.1	-8.9%
PPA & Other items	(24.2)	(30.9)	+27.8%	(9.0)	(8.7)	-2.9%
Net income	(1,149.7)	84.7	n.m.	121.0	(109.0)	n.m.

Assets & Liabilities trends



Total Assets

€/mln	Sep-14	Dec-14	Jun-15	Sep-15	QoQ%	YoY%
Customer loans	126,307	119,676	117,436	112,513	-4.2%	-10.9%
Loans to banks	6,884	7,723	8,327	6,432	-22.8%	-6.6%
Financial assets	41,856	39,776	36,335	36,297	-0.1%	-13.3%
PPE and intangible assets	3,934	3,229	3,122	3,090	-1.0%	-21.5%
Other assets*	11,716	13,040	12,484	11,870	-4.9%	1.3%
Total Assets	190,697	183,444	177,705	170,202	-4.2%	-10.7%

Total Liabilities

€/mln	Sep-14	Dec-14	Jun-15	Sep-15	QoQ%	YoY%
Deposits from customers and securities issued	126,610	126,224	126,238	122,717	-2.8%	-3.1%
Deposits from banks	29,425	27,648	18,831	17,805	-5.4%	-39.5%
Other liabilities**	24,299	23,583	23,239	19,805	-14.8%	-18.5%
Group equity	10,340	5,965	9,373	9,850	5.1%	-4.7%
Minority interests	24	24	24	26	5.1%	5.7%
Total Liabilities	190,697	183,444	177,705	170,202	-4.2%	-10.7%

Lending & Direct Funding



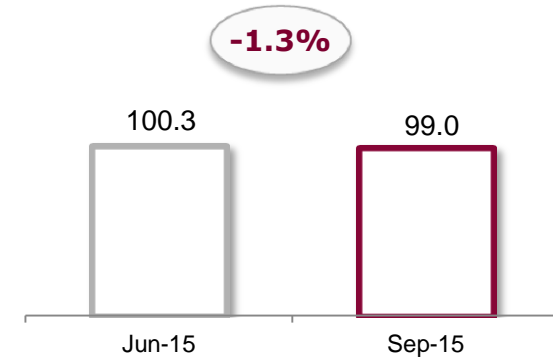
Total Lending

€/mln	Sep-14	Dec-14	Jun-15	Sep-15	QoQ%	YoY%
Current accounts	10,041	8,745	8,179	8,004	-2.1%	-20.3%
Mortgages	58,541	55,328	54,511	53,472	-1.9%	-8.7%
Other forms of lending	27,930	27,276	25,461	22,191	-12.8%	-20.5%
Reverse repurchase agreements	4,113	4,142	4,649	3,508	-24.5%	-14.7%
Loans represented by securities	1,366	1,042	938	951	1.4%	-30.4%
Impaired loans	24,315	23,143	23,699	24,387	2.9%	0.3%
Total	126,307	119,676	117,436	112,513	-4.2%	-10.9%

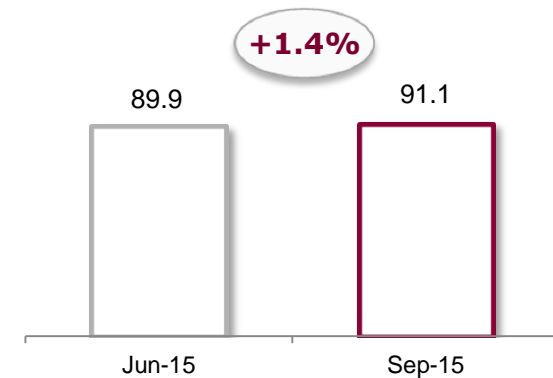
Direct funding

€/mln	Sep-14	Dec-14	Jun-15	Sep-15	QoQ%	YoY%
Current accounts	57,014	53,373	55,585	55,889	0.5%	-2.0%
Time deposits	10,900	10,800	13,122	13,863	5.6%	27.2%
Repos	13,551	21,158	17,561	13,012	-25.9%	-4.0%
Bonds	34,818	31,406	31,200	30,623	-1.8%	-12.0%
Other types of direct funding	10,327	9,487	8,769	9,330	6.4%	-9.6%
Total	126,610	126,224	126,238	122,717	-2.8%	-3.1%

Retail & Corporate lending*



Retail & Corporate funding (€/bn)

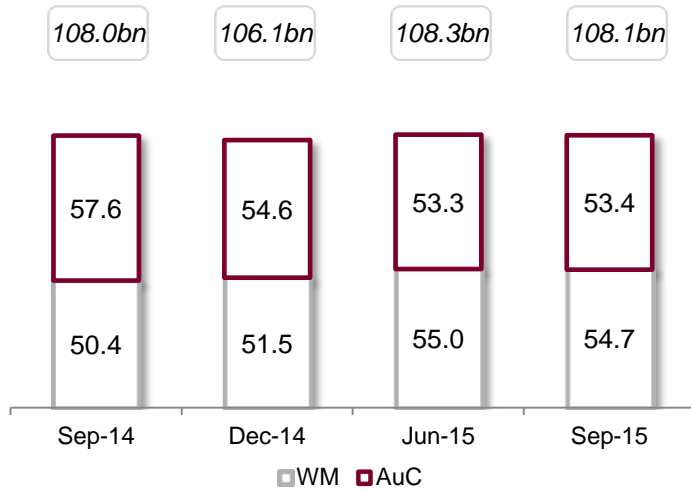


*Loans excluding net NPLs

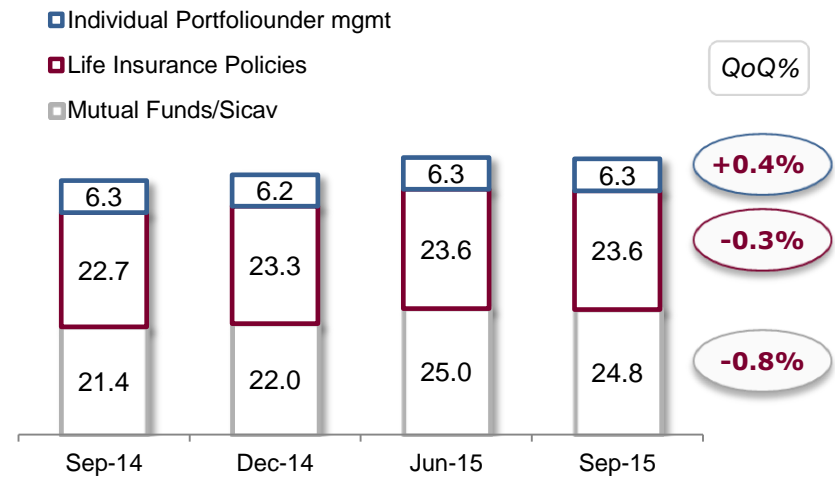
Indirect funding



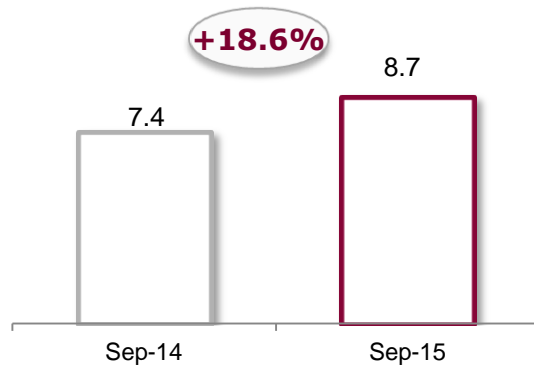
Indirect funding (€/bn)



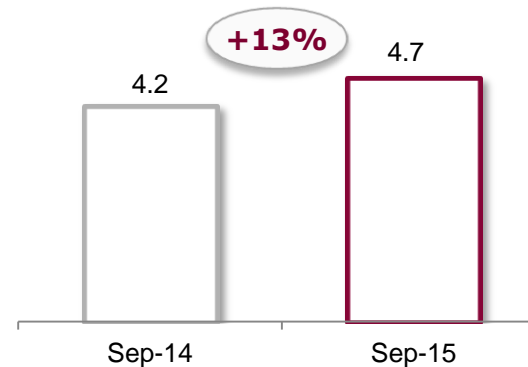
WM breakdown(€/bn)



Mutual Funds/Sicav* (€/bn)



Bancassurance** (€/bn)



*Placement of gross saving and Sicav products in 9M15

**Placement of AXA-MPS Saving products (gross amount) in 9M15

Financial assets: focus on Italian Govies portfolio



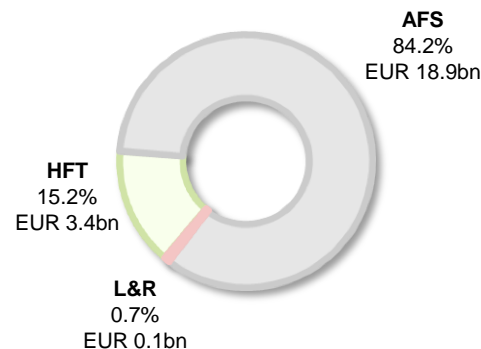
Securities and Derivatives Portfolio

Market Value (€mln)	Sep-15	QoQ%	YoY%
HFT	9,738	+11.3%	+8.7%
AFS	19,878	-0.5%	-13.6%
L&R	1,971	-4.9%	-18.9%
Total	31,588	+2.6%	-8.1%

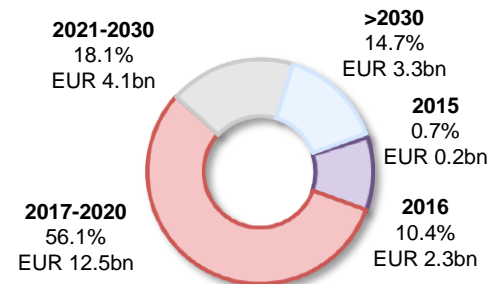
Duration from 6.0 years as at Jun-15 to **5.8 years as at Sep-15**
Average duration of AFS portfolio of 6.48 years

Italian Government Bonds: ~EUR 22bn*

Breakdown by IAS category



Breakdown by maturity



*Market Value

** Figures from operational data management system (Risk Management)



Non Performing Exposures (NPE)

(€ mln)	Net	QoQ (%)	YoY (%)	Gross	QoQ (%)	YoY (%)
Bad loans (sofferenze)	9,473	4.7	-2.9	26,301	3.7	11.0
Unlikely to Pay	12,139	0.8	55.8	17,546	0.3	63.3
NP past due / overdue exposures	2,774	6.1	-59.0	3,623	6.9	-50.6
Total NPE	24,387	2.9	0.3	47,470	2.6	13.7

Non Performing Exposures Coverage

(€ mln)	Sep-14	Jun-15	Sep-15
Bad loans (sofferenze)	58.8%	64.3%	64.0%
Unlikely to Pay	27.5%	31.2%	30.8%
NP past due / overdue exposures	7.6%	22.8%	23.4%
Total NPE	41.8%	48.8%	48.6%

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Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this document corresponds to the underlying documentary evidence and accounting records.



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